

AUDITED FINANCIAL STATEMENTS

SILVER GROVE INDEPENDENT SCHOOLS

SILVER GROVE, KENTUCKY

JUNE 30, 2017

SILVER GROVE INDEPENDENT SCHOOLS

TABLE OF CONTENTS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>PAGE</u>
Independent Auditor's Report on the Financial Statements	1-2
Management's Discussion and Analysis	3-8
Government Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Government Funds Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Proprietary Funds Financial Statements:	
Statement of Net Position - Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17-18
Statement of Fiduciary Net Position - Fiduciary Funds	19
Notes to Financial Statements	20-45
Budget Comparison Statements:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	46
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue	47
Other Supplemental Data:	
Combining Balance Sheet - Non-major Governmental Funds ...	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	49
Combining Balance Sheet - All Debt Service Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Debt Service Funds	51
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - FSPK Fund	52
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - SEEK Capital Outlay Fund .	53

SILVER GROVE INDEPENDENT SCHOOLS

TABLE OF CONTENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

	<u>PAGE</u>
Statement of Receipts, Disbursements and Fund Balances - School Activity Funds	54
Statement of District Contributions - County Employees Retirement System - Last 10 Fiscal Years	55
Statement of the District's Proportionate Share of the Net Pension Liability - County Employees Retirement System	56
Insurance in Force	57
Board Members and Administrative Personnel	58
General Fund - Accounts Receivable	59
General Fund - Accounts Payable	60
Schedule of Findings and Questioned Costs	61
Schedule of Findings and Questioned Costs Prior Year Audit	62
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	63-64
Transmittal Letter for Management Letter Points	65
Management Letter Points	66-67
Statement of Certification	68

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove Independent Schools
Silver Grove, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of The Silver Grove Independent Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The Silver Grove Independent Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; *Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request and Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of The Silver Grove Independent Schools as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and the budgetary comparison information on pages 46 through 47 and the pension liability and contributions information on pages 55 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Silver Grove Independent Schools' basic financial statements. The combining and individual fund financial statements on pages 48 through 54 and other information on pages 57 through 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 25, 2017, on my consideration of The Silver Grove Independent Schools' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Silver Grove Independent Schools' internal control over financial reporting and compliance.



Cincinnati, Ohio
September 25, 2017

SILVER GROVE INDEPENDENT SCHOOLS - SILVER GROVE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

As management of The Silver Grove Independent Schools (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning general fund cash balance for the District was \$316,961, an increase from fiscal year 2016.

The district remains committed to increasing starting teacher salaries to follow the trends in the state and to stay competitive with local districts.

The General Fund had \$2,306,707 in revenue, which primarily consisted of the state program (SEEK), local property, and motor vehicle tax revenue. Excluding inter-fund transfers, there were \$2,108,236 in General Fund expenditures.

Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. In June, 2011, the District issued a bond issue for \$580,000. It has a current debt value of \$445,000 and will complete in June, 2031. In March, 2012 the District issued another bond issue for \$975,000. This refinanced the 2004 issue, paying it off in May, 2014. This bond has a current debt value of \$665,000. It will complete in May, 2024. In October, 2012 the District issued another bond issue for \$550,000. It will complete in October, 2032. It has a current debt value of \$460,145.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by 1.151 million as of June 30, 2017.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2017

Assets	
Current Assets	\$ 666,983
Non-current Assets	2,489,887
Total Assets	3,156,870
Deferred Outflows of Resources	107,662
Total Assets and Deferred Outflows of Resources	<u>\$ 3,264,532</u>
Liabilities	
Current Liabilities	\$ 578,155
Non-current Liabilities	1,431,665
Total Liabilities	<u>\$ 2,009,820</u>
Deferred Inflows of Resources	\$ 103,530
Net Position	
Investment in capital assets (net of debt)	919,742
Restricted	(22,044)
Unreserved Fund Balance	253,484
Total Net Position	<u>\$ 1,151,182</u>

Comments on Budget Comparisons

The District's total revenues for the fiscal year ended June 30, 2017, net of interfund transfers were \$2,842,506.

The total cost of all programs and services was \$2,473,587 net of debt service.

General fund budget expenditures to actual varied significantly in instruction. When contributions for/on behalf are adjusted, expenditures were \$94,750 under budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2017.

Revenues :	
Local revenue sources	\$ 1,395,824
State revenue sources	748,291
Federal Revenue	201,669
Contributions on behalf	<u>496,722</u>
Total revenues	2,842,506
Expenses :	
Instruction	1,496,844
Student Support Services	112,012
Instructional Support	53,065
District Administration	370,246
School Administration	101,423
Business Support Services	36,856
Plant Operations	233,840
Student Transportation	40,341
Community Support	28,960
Debt Service	<u>184,392</u>
Total expenses	2,657,979
Operating Transfers out and sale of assets	<u>5,003</u>
Revenues in Excess of Expenses and Transfers	<u>\$ 189,530</u>

General Fund Revenue

The majority of revenue was derived from state funding (25.3%) and local taxes (56.2%).

School Allocation

Regular Instruction accounts for 56.9% of the school level expenditures.

Other Allocations

Central support services expenditures were Transportation 1.9% and Maintenance & Operations 11.1%.

BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2017 - 2018

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. certain federal programs operate on a different fiscal calendar, but are reflected in the district's overall budget.

By statute, the budget must have a minimum 2% contingency. The district adopted a 2017-18 Working Budget with \$265,000 in contingency (9.0%). The beginning cash balance for the 2017-18 fiscal year is \$525,430. Significant Board actions that impact the 2017-18 fiscal year finances include: in April, 2015, the Silver Grove Board of Education passed a Utility Tax.

Also, we have several major additional programs/grants to our schools:

1) Nutrition Activities

- a. Students will understand that proper nutrition is essential to growth and development (KY Big Idea: Nutrition, NHES standard (1)
- b. Students will understand that resources are available to assist in making nutritional choices (KY Big Idea: Nutrition, NHES standard (3)
- c. Nutrition coaching will be provided for food service staff and nutrition teachers.
- d. Improved student experiences to make healthy choices and put knowledge to work: Youth councils, Introduction of new foods, Enrichment experiences/Wellness field trips, Targeted enrichment activities, Quarterly nutrition stall trainings, and Assessments with youth risk behavior survey.

2) CEP (Community Eligibility Provision)

The Food Service Program will continue to participate in the Community Eligibility Provision in the 2017-18 school year. This program is part of the 2010 No Child Hungry Act that lets agencies feed their student base on a no cost for Breakfast and no cost for Lunch Program in the regular school day. This year through re-certification for CEP the District will be reimbursed 100% of participation. This will allow the District to allow the students new healthy food choices in their meal selections. In past years, the General Fund has contributed greatly to the Food Service Program to operate and this year the General Fund will be relieved of this obligation.

BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2017 - 2018 (CONTINUED)

3) United Way Bornlearning Academy

Silver Grove Schools received a \$5,600 grant from United Way of Greater Cincinnati. Ultimately the grant is funded by United Way to provide a United Way Bornlearning Academy at Silver Grove Schools. United Way Bornlearning Academy utilizes everyday moments to assist parents of birth to five year olds in boosting their child or grandchild's school readiness. It is a series of six monthly workshops on various monthly topics from routines to literacy. The program series concludes with a graduation presentation of series participants. Each workshop begins with a family meal. After dinner, parents remain in the library and their children are taken to the preschool room to play and partake in other organized activities. At the end, families are reunited. Parents or caregivers leave each workshop with something to take home and use with their child to enhance development. The funding received through the grant is used for food, supplies, prizes, and resources for parents.

4) Elementary Counseling Grant

The District received notification in June, 2017 that the Elementary School Counseling Grant would be completed on June 30, 2017. The District now covers the Counselor's salary that was previously charged to the Grant and now is shared with the Safe Schools Grant and General Fund.

We have attempted to be conservative in our fiscal year 2017-18 budget in order to prepare for projected state revenue shortfall.

Questions regarding this report should be directed to the Superintendent (859) 441-3894 or by mail at P.O. Box 444, Silver Grove, KY, 41085.

SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 420,939	\$ -	\$ 420,939
Accounts receivable:			
Taxes - current	31,787	-	31,787
Intergovernmental - state	6,847	-	6,847
Intergovernmental - federal	147,681	-	147,681
Other	2,815	-	2,815
Inventories	-	3,823	3,823
Prepaid insurance	53,091		53,091
Total current assets	663,160	3,823	666,983
Noncurrent assets			
Capital assets	6,540,698	27,822	6,568,520
Less: accumulated depreciation	(4,052,466)	(26,167)	(4,078,633)
Total noncurrent assets	2,488,232	1,655	2,489,887
Total assets	3,151,392	5,478	3,156,870
Deferred outflows of resources			
Discount on bonds - net	18,925	-	18,925
Other deferred outflows of resources	73,316	15,421	88,737
Total deferred outflows of resources	92,241	15,421	107,662
Total assets and deferred outflows of resources	<u>\$ 3,243,633</u>	<u>\$ 20,899</u>	<u>\$ 3,264,532</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 9,845	\$ -	\$ 9,845
Deferred revenue	76,554	-	76,554
Current portion of bond obligations	138,480	-	138,480
Net pension liability	291,453	61,823	353,276
Total current liabilities	516,332	61,823	578,155
Noncurrent liabilities			
Noncurrent portion of bond obligations	1,431,665	-	1,431,665
Total noncurrent liabilities	1,431,665	-	1,431,665
Total liabilities	1,947,997	61,823	2,009,820
Deferred inflows of resources			
Deferred inflows of resources	85,412	18,118	103,530
Total deferred inflows of resources	85,412	18,118	103,530
Net position			
Invested in capital assets, net of related debt	918,087	1,655	919,742
Restricted for:			
Debt service	5	-	5
Accumulated unpaid sick leave benefits	2,182	-	2,182
Capital Project Funds	(24,231)	-	(24,231)
Unrestricted	314,181	(60,697)	253,484
Total net position	1,210,224	(59,042)	1,151,182
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,243,633</u>	<u>\$ 20,899</u>	<u>\$ 3,264,532</u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS

Governmental Activities:

Instruction	\$	1,489,247	\$	-	\$	147,420	\$	-	\$	(1,341,827)	\$	-	\$	(1,341,827)
Support services:														
Student		112,012		-		18,755		-		(93,257)		-		(93,257)
Instruction staff		31,796		-		32,872		-		1,076		-		1,076
District administrative		360,123		-		-		-		(360,123)		-		(360,123)
School administrative		101,423		-		-		-		(101,423)		-		(101,423)
Business Support Services		36,856		-		-		-		(36,856)		-		(36,856)
Plant operation and maintenance		215,315		-		-		-		(215,315)		-		(215,315)
Student transportation		37,829		-		-		-		(37,829)		-		(37,829)
Community service activities		28,960		-		2,622		-		(26,338)		-		(26,338)
Interest on long-term debt		47,012		-		-		-		(47,012)		-		(47,012)
Depreciation		214,143		-		-		-		(214,143)		-		(214,143)
Amortization		1,656		-		-		-		(1,656)		-		(1,656)
Pension Expense		98,359		-		-		-		(98,359)		-		(98,359)
Total governmental activities		2,774,731		-		201,669		-		(2,573,062)		-		(2,573,062)

Business-Type Activities

Food service	68,612	6,250	93,928	-	-	31,566	31,566
Total business-type activities	68,612	6,250	93,928	-	-	31,566	31,566
Total primary government	\$ 2,843,343	\$ 6,250	\$ 295,597	\$ -	(2,573,062)	31,566	(2,541,496)

General Revenues:

Taxes:							
Property taxes	1,292,650					-	1,292,650
Motor vehicle taxes	49,148					-	49,148
Investment earnings	3,217					-	3,217
State and formula grants	748,291					-	748,291
Miscellaneous	49,309					-	49,309
On behalf payments	496,722					-	496,722
Operating transfers out	(997)					-	(997)
Tuition and fees	1,500					-	1,500
Gain on sale of assets	4,916					-	4,916
Total general revenues and transfers	2,644,756					-	2,644,756
Change in net position	71,694					31,566	103,260
Change in deferred outflows of resources	22,393					(5,187)	17,206
Change in deferred inflows of resources	(10,359)					67,664	57,305
Pension expense	98,359					(24,217)	74,142
Reduction of CERS expense	(29,204)					(6,064)	(35,268)
Net position-beginning of year	1,057,341					(122,804)	934,537
Net position - end of year	\$ 1,210,224					\$ (59,042)	\$ 1,151,182

The accompanying notes are an integral part of the financial statements

SILVER GROVE INDEPENDENT SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 525,430	\$ (80,265)	\$ -	\$ (24,226)	\$ 420,939
Accounts receivable:					
Taxes - current	31,787	-	-	-	31,787
Intergovernmental - state	-	6,847	-	-	6,847
Intergovernmental - federal	-	147,681	-	-	147,681
Other	475	2,340	-	-	2,815
Prepaid Insurance	53,091	-	-	-	53,091
Total assets	<u>\$ 610,783</u>	<u>\$ 76,603</u>	<u>\$ -</u>	<u>\$ (24,226)</u>	<u>\$ 663,160</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 9,796	\$ 49	\$ -	\$ -	\$ 9,845
Deferred revenue	-	76,554	-	-	76,554
Total liabilities	9,796	76,603	-	-	86,399
Fund balances					
Restricted for:					
Debt service	-	-	-	5	5
Capital project funds	-	-	-	(24,231)	(24,231)
Accumulated unpaid sick leave benefits	2,182	-	-	-	2,182
Unassigned:	598,805	-	-	-	598,805
Total fund balances	<u>600,987</u>	<u>-</u>	<u>-</u>	<u>(24,226)</u>	<u>576,761</u>
Total liabilities and fund balances	<u>\$ 610,783</u>	<u>\$ 76,603</u>	<u>\$ -</u>	<u>\$ (24,226)</u>	<u>\$ 663,160</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balance per fund financial statements	\$ 576,761
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	2,488,232
Deferred outflows of resources are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.	92,241
Deferred inflows of resources are not reported in this fund financial statement but they are reported in the statement of net position.	(85,412)
Certain liabilities (such as bonds payable, capital lease obligations, net pension liability, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(1,861,598)</u>
Net position for governmental activities	<u>\$ 1,210,224</u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
From local sources				
Taxes				
Property	\$1,247,206	\$ -	\$ 45,444	\$ 1,292,650
Motor vehicle	49,148	-	-	49,148
Earnings on investments	3,217	-	-	3,217
Other local revenues	5,796	43,513	-	49,309
Tuition and fees	1,500	-	-	1,500
Intergovernmental - state	582,705	139,369	26,217	748,291
Intergovernmental - federal	22,262	179,407	-	201,669
On behalf payments	394,873	-	101,849	496,722
Total revenues	2,306,707	362,289	173,510	2,842,506
EXPENDITURES				
Instruction	1,199,767	297,077	-	1,496,844
Support services:				
Student	87,009	25,003	-	112,012
Instruction staff	38,754	14,311	-	53,065
District administrative	370,246	-	-	370,246
School administrative	101,423	-	-	101,423
Business Support Services	36,856	-	-	36,856
Plant operation and maintenance	233,840	-	-	233,840
Student transportation	40,341	-	-	40,341
Community service activities	-	28,960	-	28,960
Debt service	-	-	184,392	184,392
Total expenditures	2,108,236	365,351	184,392	2,657,979
Excess (deficit) of revenues over expenditures	198,471	(3,062)	(10,882)	184,527
Other financing sources (uses)				
Operating transfers in	-	3,062	82,543	85,605
Operating transfers out	(9,298)	-	(77,304)	(86,602)
Sale of assets	6,000	-	-	6,000
Total other financing sources (uses)	(3,298)	3,062	5,239	5,003
Net change in fund balances	195,173	-	(5,643)	189,530
Fund balance, July 1, 2016	405,814	-	(18,583)	387,231
Fund balance, June 30, 2017	<u>\$ 600,987</u>	<u>\$ -</u>	<u>\$ (24,226)</u>	<u>\$ 576,761</u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE INDEPENDENT SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in total fund balances per fund financial statements	\$	189,530
-----------------------------------------------------------------	----	---------

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation and amortization expense exceeds capital outlays for the year.		(184,977)
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-----------

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but, are reductions of liabilities in the statement of activities.

Bond principal payments		137,380
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Pension expense		(98,359)
-----------------	--	----------

Reduction in CERS expense		29,204
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Difference between gain/loss versus the proceeds received from the sale of assets.		(1,084)
		(1,084)

Change in net position of governmental activities	\$	71,694
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The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

ASSETS	<u>School Food Service Fund</u>
Current assets	
Inventories	\$ 3,823
Total current assets	3,823
Noncurrent assets	
Capital assets	27,822
Less: accumulated depreciation	<u>(26,167)</u>
Total noncurrent assets	1,655
Total assets	5,478
Deferred outflows of resources	
Pension contributions subsequent to the measurement date	6,064
Difference between expected and actual experience	270
Net difference between projected and actual investment earnings on pension plan investments	5,812
Change of assumptions	<u>3,275</u>
Total deferred outflows of resources	15,421
Total assets and deferred outflows of resources	<u><u>\$ 20,899</u></u>
LIABILITIES	
Net pension liability	\$ 61,823
Total liabilities	61,823
Deferred inflows of resources	
Changes in proportion and differences between employer contributions and proportional share of contributions	<u>18,118</u>
Total deferred inflows of resources	18,118
Net position	
Invested in capital assets, net of related debt	1,655
Restricted for Food Service	<u>(60,697)</u>
Total net position	<u>(59,042)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 20,899</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>School Food Service Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$ 6,250
Total operating revenues	6,250
 OPERATING EXPENSES	
Salaries and wages	36,107
Materials and supplies	54,736
Other operating expenses	976
Depreciation	1,010
Pension expense	(24,217)
Total operating expenses	68,612
 OPERATING INCOME (LOSS)	(62,362)
 NON-OPERATING REVENUES	
Federal grants	91,909
State grant	1,022
Transfers in	997
Total non-operating revenues	93,928
 Change in net position	31,566
Change in deferred outflows of resources	(5,187)
Change in deferred inflows of resources	67,664
Pension expense	(24,217)
Reduction in CERS expenses	(6,064)
Net position, July 1, 2016	(122,804)
 Net position, June 30, 2017	<u><u>\$ (59,042)</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

		<u>School Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Lunchroom sales	\$ 6,250	
Transfers in	<u>997</u>	
		\$ 7,247
Expenses		
Salaries and Wages	42,171	
Materials and supplies	57,031	
Other operating expenses	<u>976</u>	
		<u>100,178</u>
NET CASH USED IN OPERATING ACTIVITIES		(92,931)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government grants		<u>92,931</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>92,931</u>
INCREASE IN CASH		-0-
Cash at beginning of year		<u>-0-</u>
CASH AT END OF YEAR		<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

School Food Service Fund

RECONCILIATION OF OPERATING INCOME (LOSS) TO

NET CASH USED IN OPERATING ACTIVITIES

Operating Income (Loss)	\$ (62,362)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation	1,010
Pension expense	(24,217)
Reduction in CERS expense	(6,064)
Changes in operating assets and liabilities:	
Increase in Inventories	(2,295)
Transfers in	997

**NET CASH USED IN OPERATING
ACTIVITIES**

\$ (92,931)

NON-CASH NON CAPITAL FINANCING ACTIVITIES

Donated commodities received from the Federal Government	<u>\$ 6,931</u>
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The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Agency Fund</u>
ASSETS AND RESOURCES	
Cash and Cash Equivalents	\$ 13,646
Accounts Receivable	<u>207</u>
Total Assets and Resources	13,853
LIABILITIES	
Accounts Payable	200
Due to Student Groups: School Activities Funds	<u>13,653</u>
Total Liabilities	<u>13,853</u>
Net Position Held in Trust	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
REPORTING ENTITY

The Silver Grove Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Silver Grove Independent Schools (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Silver Grove Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Silver Grove Independent Schools Finance Corporation - On September 14, 1992, The Silver Grove, Kentucky, Board of Education resolved to authorize the establishment of the Silver Grove Independent Schools Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Silver Grove Board of Education also comprise the Corporation's Board of Directors.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Basis of Presentation

Government-wide Statements - The statement of net position and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

The funds of the financial reporting entity are described below:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District and is always classified as a major fund per GASB Statement No. 34. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan. (See reference to Program Review 96-DFIN-157).

The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.

The Construction Fund accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the district.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA.

Fiduciary Fund Type (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Basis of Accounting (Continued)

Nonexchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grant and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

All business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to susceptible to accrual (GAAP).

Differences between the budgetary accounting method and GAAP are not material.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided. An encumbrance at June 30, 2017, has been set up for accumulated unpaid sick leave benefits, and other items.

Cash and Cash Equivalents - The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Government Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Accrued Liabilities and Long-Term Obligations (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that a portion of fund equity is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE B - RECENTLY ISSUED ACCOUNTING STANDARDS

Effective July 1, 2013, the District implemented new requirements, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement, effective for periods beginning after December 15, 2012, established accounting and financial reporting standards that recognizes, as deferred outflows of resources and or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE C - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the district's cash and cash equivalents was \$434,585 and the bank balance was \$457,096. Of the total cash balance, \$263,651 was covered by Federal depository insurance. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

General Fund, cash and cash equivalents at June 30, 2017 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
BB&T - Checking	<u>\$ 442,794</u>	<u>\$ 525,430</u>
	<u>\$ 442,794</u>	<u>\$ 525,430</u>

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make lease and bonded debt payments relating to the bonds issued by the Fiscal Court of Campbell County and City of Silver Grove, Kentucky.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2017.

	Amount of Debt Outstanding July 1, 2016	Additions of New Debt	Repayments	Debt Outstanding June 30, 2017	Amount Expected to be Paid Within One Year
Governmental Activities					
General Obligation Bonds	<u>\$ 1,707,525</u>	<u>\$ -0-</u>	<u>\$ 137,380</u>	<u>\$ 1,570,145</u>	<u>\$ 138,480</u>
Capital Leases	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The repayment of general obligation bonds includes the following:

Paid by the District	\$ 71,027
Paid by the Kentucky School Facility Construction Commission	<u>66,353</u>
Repayments on General Obligation Bonds	<u>\$ 137,380</u>

The original amount of the issue, the issue date and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Outstanding Balance at June 30, 2017</u>
June 1, 2011	\$580,000	2.00% - 4.375%	\$ 445,000
March 1, 2012	\$975,000	1.60% - 2.45%	665,000
October 1, 2012	\$550,000	1.25% - 3.25%	460,145
			<u>\$ 1,570,145</u>

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK), and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbell County Fiscal Court and the City of Silver Grove to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

In 1992, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The tables below set forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

June 1, 2011 Issue:

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION			
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017-2018	\$ 25,000	\$ 18,294	\$ 43,294
2018-2019	25,000	17,494	42,494
2019-2020	25,000	16,694	41,694
2020-2021	25,000	15,894	40,894
2021-2022	30,000	15,094	45,094
2022-2031	315,000	72,841	387,841
	<u>\$ 445,000</u>	<u>\$ 156,311</u>	<u>\$ 601,311</u>

March 1, 2012 Issue:

SILVER GROVE INDEPENDENT SCHOOLS			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017-2018	\$ 70,724	\$ 10,379	\$ 19,276	\$ 2,811	\$ 103,190
2018-2019	70,415	9,248	19,585	2,502	101,750
2019-2020	70,102	8,121	19,898	2,189	100,310
2020-2021	74,783	7,000	20,217	1,870	103,870
2021-2022	79,460	5,803	20,540	1,547	107,350
2022-2024	157,398	5,778	42,602	1,572	207,350
	<u>\$ 522,882</u>	<u>\$ 46,329</u>	<u>\$ 142,118</u>	<u>\$ 12,491</u>	<u>\$ 723,820</u>

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

October 1, 2012 Issue:

<u>YEAR</u>	<u>KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017-2018	\$ 23,480	\$ 13,002	\$ 36,482
2018-2019	24,780	12,545	37,325
2019-2020	26,230	11,907	38,137
2020-2021	27,710	11,233	38,943
2021-2022	24,170	10,585	34,755
2022-2033	333,775	60,420	394,195
	<u>\$ 460,145</u>	<u>\$ 119,692</u>	<u>\$ 579,837</u>

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

The district currently has a policy in place concerning accumulated unpaid sick leave benefits. The district will pay as unpaid sick leave benefits, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2017 there was one classified employee with 27 or more years of experience.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017, consisted of the following:
 NONE

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE H - CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Land	\$ 144,500	\$ -	\$ -	\$ 144,500
Land Improvements	8,800	-	-	8,800
Building and improvements	5,786,950	-	-	5,786,950
Technology equipment	410,905	21,252	-	432,157
Vehicles	141,447	-	86,375	55,072
General equipment	103,649	9,570	-	113,219
Totals at historical cost	6,596,251	30,822	86,375	6,540,698
Less: accumulated depreciation				
Land Improvements	4,730	440	-	5,170
Building and improvements	3,411,626	181,682	-	3,593,308
Technology equipment	323,341	21,102		344,443
Vehicles	108,834	7,883	85,291	31,426
General equipment	75,083	3,036	-	78,119
Total accumulated depreciation	3,923,614	214,143	85,291	4,052,466
Governmental Activities				
Capital Assets - Net	<u>\$ 2,672,637</u>	<u>\$ (183,321)</u>	<u>\$ 1,084</u>	<u>\$ 2,488,232</u>

Business-Type Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Technology equipment	\$ 2,810	\$ -	\$ -	\$ 2,810
General equipment	26,937	-	1,925	25,012
Totals at historical cost	29,747	-	1,925	27,822
Less: accumulated depreciation				
Technology equipment	2,508	145	-	2,653
General equipment	24,574	865	1,925	23,514
Total accumulated depreciation	27,082	1,010	1,925	26,167
Capital Assets - Net	<u>\$ 2,665</u>	<u>\$ (1,010)</u>	<u>\$ -</u>	<u>\$ 1,655</u>

NOTE I - PROPERTY TAXES

The District's ad valorem property tax is levied each September 30, on the assessed value listed as of the prior January 1, for all real and personal property located in the District. Taxes are due on January 2, and become delinquent after January 31, following the September 30, levy date.

The property tax rates assessed for the year ended June 30, 2017 were \$1.317 per \$100 valuation for real property, \$1.317 per \$100 valuation for business personal property, and \$.896 per \$100 valuation for motor vehicles.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE I - PROPERTY TAXES (continued)

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

NOTE J - RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System Non-Hazardous ("CERS") covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers' Retirement System ("KTRS") covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

Plan description - Employees whose positions do not require a degree beyond a high school diploma are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov>.

Benefits Provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE J - RETIREMENT PLANS (CONTINUED)

Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

For employees hired before September 1, 2008, funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 18.68% of salaries. For employees hired after September 1, 2008, funding for the plan is provided through payroll withholdings of 6.00% and a district contribution of 18.68% of salaries.

The contribution requirement for CERS for the year ended June 30, 2017 was \$45,615 which consisted of \$35,268 from the District and \$10,347 from the employees.

General information about the Kentucky Teachers' Retirement System

Plan description - Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the KTRS - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE J - RETIREMENT PLANS (CONTINUED)

established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1) Attain age fifty-five(55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky Service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE J - RETIREMENT PLANS (CONTINUED)

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the members' request.

The contribution requirement for KTRS for the year ended June 30, 2017 was \$363,913 which consisted of \$195,806 from the State of Kentucky, \$153,765 from the employees, and \$14,342 from federal programs.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple-employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy - In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE J - RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 353,276
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>11,900,049</u>
	<u>\$ 12,253,325</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's portion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's portion was 0.00718%.

For the year ended June 30, 2017, the District recognized pension expense of \$74,142 related to CERS and \$969,460 related to KTRS. The District also recognized revenue of \$969,460 for KTRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,542	\$ -
Changes of assumptions	18,715	-
Net difference between projected and actual earnings on pension plan investments	33,212	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	103,530
District contributions subsequent to the measurement date	<u>35,268</u>	<u>-</u>
Total	<u>\$ 88,737</u>	<u>\$ 103,530</u>

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE J - RETIREMENT PLANS (CONTINUED)

An amount of \$35,268 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ (10,012)
2019	(10,012)
2020	(10,012)
2021	(10,012)
2022	(10,013)

Actuarial assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0 - 8.2%
Investment rate of return, net of investment expense and inflation	7.50%	7.50%

For CERS, mortality rates for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 for all retired employees and beneficiaries and the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 for all disabled employees.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation)

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE J - RETIREMENT PLANS (CONTINUED)

were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class	KTRS Target Allocation	KTRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%	-	-
Non U.S. Equity	17.0%	6.5%	-	-
Fixed Income	24.0%	1.6%	19.0%	1.5%
High Yield Bonds	4.0%	3.1%	-	-
Real Estate	4.0%	5.8%	5.0%	4.5%
Alternatives	4.0%	6.8%	-	-
Cash	2.0%	1.5%	2.0%	.25%
Combined Equity	-	-	44.0%	5.4%
Real Return	-	-	10.0%	3.5%
Absolute Return	-	-	10.0%	4.25%
Private Equity	-	-	10.0%	8.5%
Total	100.0%		100.0%	

Discount rate - For CERS, the discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE J - RETIREMENT PLANS (CONTINUED)

For KTRS, the discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.5%	7.5%	8.5%
District's proportionate share of net pension liability	\$ 440,239	\$ 353,276	\$ 278,731
KTRS	3.20%	4.20%	5.20%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE K - CONTINGENCIES

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE L - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Worker's compensation insurance.

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier.

The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

In addition, the District continues to carry commercial insurance for all other risks of loss, including the coverages listed on page 57 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE N - DEFICIT OPERATING/FUND BALANCES

The Seek Capital Outlay Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$5,643).

NOTE O - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). The District has notified all terminated employees of available continuing insurance coverage as mandated by Cobra.

NOTE P - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General Fund	Proprietary Fund (Food Service)	\$ 997
General Fund	Special Revenue Fund	3,062
General Fund	Debt Service Fund	5,239
Building Fund	Debt Service Fund	57,081
Capital Outlay Fund	Debt Service Fund	20,223

NOTE Q - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2017, as follows:

June 30, 2018	\$ 20,679
2019	15,023
2020	5,007
2021	-
2022	-
	<u>\$ 40,709</u>

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES

In its Annual Report - Financial required by the Kentucky Department of Education (the "Report"), the Board recorded the receipt of certain receivables and the payment of certain payables subsequent to year ended as cash receipts and disbursements for the year ended June 30, 2017. In the accompanying financial statements, these amounts are included in accounts receivable and accounts payable.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES (CONTINUED)

The following is a reconciliation of the June 30, 2017, fund balance reported by the board to the Kentucky Department of Education with that shown in the accompanying financial statements:

	General Fund	Special Revenue Funds
Fund Balance, as reported to the Department of Education	\$ 594,493	\$ -0-
Adjustments		
Cash in bank	(375)	-0-
Accounts receivable	5,320	-0-
Prepaid insurance	2,910	-0-
Accounts payable	(4,041)	-0-
Accumulated unpaid sick leave benefits	2,680	-0-
	<u> </u>	<u> </u>
Fund Balance, as reported in the accompanying financial statements	<u>\$ 600,987</u>	<u>\$ -0-</u>
Accumulated unpaid sick leave benefits	\$ 2,182	\$ -0-
Unreserved	<u>598,805</u>	<u>-0-</u>
	<u>\$ 600,987</u>	<u>\$ -0-</u>

The following is a schedule of the changes in the components of the fund balance of the general fund during the fiscal year ended June 30, 2017:

	Reserved for Encumbrances	Accumulated Unpaid Sick Leave Benefits	Unreserved	Total Fund Balance
Balance at beginning of year	\$ -0-	\$ 2,680	\$ 403,134	\$ 405,814
Excess (Deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-0-</u>	<u>(498)</u>	<u>195,671</u>	<u>195,173</u>
Balance at End of Year	<u>\$ -0-</u>	<u>\$ 2,182</u>	<u>\$ 598,805</u>	<u>\$ 600,987</u>

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES (CONTINUED)

The following is a reconciliation of the cash balance as reported in the accompanying financial statements with that reported to the Kentucky Department of Education:

	<u>General Fund</u>	<u>Special Revenue</u>
Funds		
Cash Balance per Report to Kentucky Department of Education	\$ 525,805	\$ (80,821)
Cash adjustment	<u>(375)</u>	<u>556</u>
Cash Balance, as reported in the accompanying financial statements	<u>\$ 525,430</u>	<u>\$ (80,265)</u>

NOTE S - ON-BEHALF PAYMENTS

For the year ended June 30, 2017 payments of \$36,857 were made for technology, \$293 for life insurance, \$157,812 for health insurance, \$195,806 for KTRS matching, \$2,420 for administrative fees and \$9,275 for health reimbursement by the Commonwealth of Kentucky on behalf of the District. A reduction of \$7,590 was made for federal reimbursement. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District. \$394,873 was recorded in the General Fund.

Payments totaling \$101,849 were made by the Kentucky School Facilities Construction Commission for its participation in the District's bonds, which are included in the debt service expenditures.

SILVER GROVE INDEPENDENT SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE T - GASB 54 FUND BALANCE REPORTING & GOVERNMENTAL FUND TYPE DEFINITIONS

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the District had (\$24,226) restricted in nonmajor funds; (\$24,231) restricted for capital projects and \$5 restricted for debt service.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. No amounts have been assigned to encumbrances at June 30, 2017. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE U - SUBSEQUENT EVENTS

The Board of Education has evaluated subsequent events through November 13, 2017, the date on which the financial statements were available to be issued.

SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources				
Taxes				
Property	\$ 1,192,361	\$ 1,192,361	\$ 1,247,206	\$ 54,845
Motor vehicle	46,809	46,809	49,148	2,339
Tuition and fees	1,000	1,000	1,500	500
Earnings on investments	1,000	1,000	3,217	2,217
Other local revenues	-	-	5,796	5,796
Intergovernmental - state	571,368	571,368	582,705	11,337
Intergovernmental - federal	-	-	22,262	22,262
On behalf payments	-	-	394,873	394,873
Total revenues	1,812,538	1,812,538	2,306,707	494,169
EXPENDITURES				
Instruction	1,033,779	1,033,779	1,199,767	165,988
Support services:				
Student	84,255	84,255	87,009	2,754
Instruction staff	39,848	39,848	38,754	(1,094)
District administrative	355,389	355,389	370,246	14,857
School administrative	83,107	83,107	101,423	18,316
Business Support Services	-	-	36,856	36,856
Plant operation and maintenance	256,026	256,026	233,840	(22,186)
Student transportation	69,117	69,117	40,341	(28,776)
Contingency	210,000	210,000	-	(210,000)
Total expenditures	2,131,521	2,131,521	2,108,236	(23,285)
Excess (deficit) of revenues over expenditures	(318,983)	(318,983)	198,471	517,454
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(2,700)	(2,700)	(9,298)	(6,598)
Sale of assets	-	-	6,000	6,000
Total other financing sources (uses)	(2,700)	(2,700)	(3,298)	(598)
Net change in fund balance	(321,683)	(321,683)	195,173	516,856
Fund balance, July 1, 2016	321,683	321,683	405,814	84,131
Fund balance, June 30, 2017	\$ -	\$ -	\$ 600,987	\$ 600,987

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Intergovernmental - state	\$ 291,210	\$ 291,210	\$ 139,369	\$ (151,841)
Intergovernmental - federal	360,390	360,390	179,407	(180,983)
Other local revenues	2,000	2,000	43,513	41,513
Total revenues	653,600	653,600	362,289	(291,311)
EXPENDITURES				
Current				
Instruction	583,358	583,358	297,077	(286,281)
Support services				
Student	-	-	25,003	25,003
Instructional staff	20,008	20,008	14,311	(5,697)
Community services	55,683	55,683	28,960	(26,723)
District Administrative	750	750	-	(750)
Total expenditures	659,799	659,799	365,351	(294,448)
Excess (deficit) of revenues over expenditures	(6,199)	(6,199)	(3,062)	3,137
Other financing sources (uses)				
Operating transfers in	6,199	6,199	3,062	(3,137)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	6,199	6,199	3,062	(3,137)
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2016	-	-	-	-
Fund balance, June 30, 2017	\$ -	\$ -	\$ -	\$ -

**SILVER GROVE INDEPENDENT SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS AND RESOURCES:				
Cash and Cash equivalents	\$ (24,231)	\$ -	\$ 5	\$ (24,226)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS AND RESOURCES	<u>\$ (24,231)</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ (24,226)</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:	\$ -	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES:				
RESTRICTED FOR:				
Capital Project Funds	(24,231)	-	-	(24,231)
Debt Service	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
TOTAL FUND BALANCES	<u>(24,231)</u>	<u>-</u>	<u>5</u>	<u>(24,226)</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ (24,231)</u>	 <u>\$ -</u>	 <u>\$ 5</u>	 <u>\$ (24,226)</u>

SILVER GROVE INDEPENDENT SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2017

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 45,444	\$ -	\$ -	\$ 45,444
Intergovernmental-State	11,637	14,580	-	26,217
On Behalf Payments	-	-	101,849	101,849
	<u>57,081</u>	<u>14,580</u>	<u>101,849</u>	<u>173,510</u>
TOTAL REVENUES	57,081	14,580	101,849	173,510
EXPENDITURES:				
Debt Service	-	-	184,392	184,392
	<u>-</u>	<u>-</u>	<u>184,392</u>	<u>184,392</u>
TOTAL EXPENDITURES	-	-	184,392	184,392
Excess (deficit) of revenues over expenditures	57,081	14,580	(82,543)	(10,882)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	82,543	82,543
Operating transfers out	(57,081)	(20,223)	-	(77,304)
	<u>(57,081)</u>	<u>(20,223)</u>	<u>82,543</u>	<u>5,239</u>
TOTAL OTHER FINANCING SOURCES (USES):	(57,081)	(20,223)	82,543	5,239
Net change in fund balances	-	(5,643)	-	(5,643)
Fund balance July 1, 2016	(24,231)	5,643	5	(18,583)
Fund balance June 30, 2017	<u>\$ (24,231)</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ (24,226)</u>

**SILVER GROVE INDEPENDENT SCHOOLS
COMBINING BALANCE SHEET
ALL DEBT SERVICE FUNDS
JUNE 30, 2017**

	<u>2011 Bond Issue</u>	<u>March 1, 2012 Bond Issue</u>	<u>October 1, 2012 Bond Issue</u>	<u>Total Debt Service Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2	\$ 3	\$ -	\$ 5
Total assets	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 5</u>
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
FUND BALANCES				
Reserved for debt service	<u>2</u>	<u>3</u>	<u>-</u>	<u>5</u>
Total fund balances	<u>2</u>	<u>3</u>	<u>-</u>	<u>5</u>
Total liabilities and fund balances	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 5</u>

SILVER GROVE INDEPENDENT SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2011 Bond Issue</u>	<u>March 1, 2012 Bond Issue</u>	<u>October 1, 2012 Bond Issue</u>	<u>Total Debt Service Funds</u>
REVENUES				
On behalf payments	<u>\$ 44,094</u>	<u>\$ 22,087</u>	<u>\$ 35,668</u>	<u>\$ 101,849</u>
Total revenues	44,094	22,087	35,668	101,849
EXPENDITURES				
Current				
Bonds paid	25,000	90,000	22,380	137,380
Interest paid	<u>19,094</u>	<u>14,630</u>	<u>13,288</u>	<u>47,012</u>
Total expenditures	<u>44,094</u>	<u>104,630</u>	<u>35,668</u>	<u>184,392</u>
Excess (deficit) of revenues over expenditures	-	(82,543)	-	(82,543)
Other financing sources (uses)				
Operating transfers in	-	82,543	-	82,543
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>82,543</u>	<u>-</u>	<u>82,543</u>
Net change in fund balances	-	-	-	-
Fund balance, July 1, 2016	<u>2</u>	<u>3</u>	<u>-</u>	<u>5</u>
Fund balance, June 30, 2017	<u><u>\$ 2</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5</u></u>

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FSPK FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	FSPK Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
From local sources:			
Taxes:			
Property	\$ 45,444	\$ 45,444	\$ -
Intergovernmental - state	11,637	11,637	-
Total revenues	57,081	57,081	-
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficit) of revenues over expenditures	57,081	57,081	-
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	(82,543)	(57,081)	25,462
Total other financing sources (uses)	(82,543)	(57,081)	25,462
Net change in fund balance	(25,462)	-	25,462
Fund balance, July 1, 2016	-	(24,231)	(24,231)
Fund balance, June 30, 2017	<u>\$ (25,462)</u>	<u>\$ (24,231)</u>	<u>\$ 1,231</u>

**SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SEEK CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	SEEK Capital Outlay Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental - state	\$ 14,580	\$ 14,580	\$ -
Total revenues	14,580	14,580	-
EXPENDITURES			
Total expenditures	-	-	-
Excess of revenues over expenditures	14,580	14,580	-
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	(20,223)	(20,223)	-
Total other financing sources (uses)	(20,223)	(20,223)	-
Net change in fund balance	(5,643)	(5,643)	-
Fund balance, July 1, 2016	5,643	5,643	-
Fund balance, June 30, 2017	\$ -	\$ -	\$ -

SILVER GROVE INDEPENDENT SCHOOLS
SCHOOL ACTIVITY FUNDS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	CASH BALANCES JULY 1, 2016	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2017	ACCOUNTS RECEIVABLE JUNE 30, 2017	ACCOUNTS PAYABLE JUNE 30, 2017	FUND BALANCES JUNE 30, 2017
Senior Fund	\$ 202	\$ -	\$ 44	\$ 158	\$ -	\$ -	\$ 158
Athletics Fund	-	19,563	19,262	301	-	-	301
Scholarship Fund	-	-	-	-	200	200	-
NKOA	1,434	3,000	3,245	1,189	-	-	1,189
Incentive	349	714	765	298	-	-	298
Special Needs	80	-	-	80	-	-	80
Coca-Cola/Recycling	278	357	616	19	-	-	19
FRC	1,518	2,733	2,933	1,318	7	-	1,325
Imagination Library	120	-	-	120	-	-	120
Ski Trip	-	680	680	-	-	-	-
Physical Ed Skate	-	1,152	1,152	-	-	-	-
General	1,257	1,284	2,365	176	-	-	176
KEA Grant	151	-	-	151	-	-	151
Born Learning	3,326	3,500	2,456	4,370	-	-	4,370
Class of 2016	-	49	49	-	-	-	-
Green House	1,294	-	-	1,294	-	-	1,294
Fourth Graders	85	-	85	-	-	-	-
Lady Trains	103	3,117	1,771	1,449	-	-	1,449
Annual Golf Outing	4,241	6,169	7,687	2,723	-	-	2,723
Class of 2017	-	8,615	8,615	-	-	-	-
TOTALS	\$ 14,438	\$ 50,933	\$ 51,725	\$ 13,646	\$ 207	\$ 200	\$ 13,653

SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
JUNE 30, 2017

Nonhazardous	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 35,268	\$ 29,200	\$ 34,365	\$ 56,355	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(35,268)	(29,200)	(34,365)	(56,355)	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 189,111	\$ 171,163	\$ 194,483	\$ 298,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	18.68%	17.06%	17.67%	18.89%						

SILVER GROVE INDEPENDENT SCHOOLS
STATEMENT OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2017

District's Proportion of the Net Pension Liability (Asset) - Non Hazardous	.00718%
District's Proportion of the Net Pension Liability (Asset) - Hazardous	0.00%
District's Proportionate Share of the Net Pension Liability (Asset) - Non Hazardous	\$ 353,276
District's Proportionate Share of the Net Pension Liability (Asset) - Hazardous	<u>-</u>
Total District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 353,276</u>
District's Covered Employee Payroll	\$ 171,163
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	206.40%
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	55.50%

SILVER GROVE INDEPENDENT SCHOOLS
INSURANCE IN FORCE
JUNE 30, 2017

Fire, Extended Coverage, Vandalism,
and Malicious Mischief:
Replacement Value

	<u>Amounts</u> <u>Building and Contents</u>	<u>Expiration</u> <u>Date</u>
High School, Junior High, Elementary, and Property in the Open	<u>\$14,287,722</u>	07/01/17

Liability on Driver's Training
Vehicles, School Buses, and Other Vehicles

School Vans		
Combined Single Limit	\$2,000,000	07/01/17
Uninsured Motorist	500,000	07/01/17

Worker's Compensation

Kentucky School Boards Insurance Trust	Statutory	07/01/17
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Educators' Legal Liability

Board Members, Superintendent and All Other Employees	\$1,000,000 Each Occurrence	
	\$1,000,000 Aggregate	07/01/17

General Liability

Comprehensive General Liability

All Employees: \$1,000,000 Each Occurrence	
\$2,000,000 Aggregate	07/01/17

Fidelity Bond

Ohio Casualty Insurance Company, Treasurer's Bond from 07/01/16
to 06/30/17, Dennis Maines, Treasurer

<u>Bonded</u>	\$50,000
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<u>Umbrella</u>	\$5,000,000	07/01/17
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SILVER GROVE INDEPENDENT SCHOOLS
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2017

<u>BOARD MEMBERS</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Jennifer Steidel-Jones Vice Chairperson	PO Box 47 Silver Grove, Kentucky	December 31, 2018
Erica Fillhardt	PO Box 216 Silver Grove, Kentucky	December 31, 2018
Melanie Pelle Chairperson	PO Box 216 Silver Grove, Kentucky	December 31, 2020
Shannon Turner	3599 Providence Trace Dr. Melbourne, Kentucky	December 31, 2020
Jason Stewart	309 East Second Street Silver Grove, Kentucky	December 31, 2018

ADMINISTRATIVE PERSONNEL

Ken Ellis, Superintendent and Secretary/Treasurer to the Board.

SILVER GROVE INDEPENDENT SCHOOLS
GENERAL FUND-ACCOUNTS RECEIVABLE
JUNE 30, 2017

Accounts receivable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 26,942
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Additional Accounts Receivable
Recorded Subsequent to the
Annual Financial Report:

State of Kentucky	\$ 1,500
KSBIT - Unemployment	<u>3,820</u>

Total Additions	<u>5,320</u>
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Total General Fund - Accounts Receivable	<u><u>\$ 32,262</u></u>
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SILVER GROVE INDEPENDENT SCHOOLS
GENERAL FUND-ACCOUNTS PAYABLE
JUNE 30, 2017

Accounts payable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 5,755
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Additional Accounts Payable Recorded Subsequent to the Annual Financial Report	
Accounts Payable Adjustment	(5,755)
Various Items	<u>9,796</u>

Total General Fund - Accounts Payable	<u>\$ 9,796</u>
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SILVER GROVE INDEPENDENT SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Noncompliance material to financial statements noted? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SILVER GROVE INDEPENDENT SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2017

The auditor's report expressed a qualified opinion on the General Purpose Financial Statements.

Michael Kadetz

Certified Public Accountant, LLC
8044 Montgomery Road • Suite 720
Cincinnati, Ohio 45236-2926
TEL (513) 794-1900 • FAX (513) 794-8073

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove Independent Schools
Silver Grove, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request*, *Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of The Silver Grove Independent Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The Silver Grove Independent Schools' basic financial statements, and have issued my report thereon dated September 25, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered The Silver Grove Independent Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Silver Grove Independent Schools' internal control. Accordingly, I do not express an opinion on the effectiveness of The Silver Grove Independent Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Silver Grove Independent Schools' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of state compliance requirements identified in *the Independent Auditor's Contract*.

During my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. These items have been communicated to the Board of Education in a management letter.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cincinnati, Ohio
September 25, 2017

Michael Kadetz

Certified Public Accountant, LLC
8044 Montgomery Road • Suite 720
Cincinnati, Ohio 45236-2926
TEL (513) 794-1900 • FAX (513) 794-8073

Members of the Board of Education
Silver Grove Independent Schools
Silver Grove, Kentucky

In planning and performing my audit of the basic financial statements of the Silver Grove Independent Schools as of and for the year ended June 30, 2017, I considered the district's internal control over financial reporting and compliance as a basis for designing my auditing procedures for the purpose of expressing an opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Silver Grove Independent Schools' internal control over financial reporting and compliance.

However, during my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated September 25, 2017, on the basic financial statements of the Silver Grove Independent Schools.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various district personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Cincinnati, Ohio
September 25, 2017

SILVER GROVE INDEPENDENT SCHOOLS
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2017

I. STATEMENT OF DEFICIENCY: The District incurred a 1% penalty from the Teachers' Retirement System of Kentucky due to the late filing of its August, 2016 contribution. The penalty amounted to \$172.07.

Criteria: The District needs to pay all taxes, invoices, etc. on a timely basis to avoid late fees and penalties.

Effect: Penalties are amounts that could be used for better purposes.

Recommendation: The District must review all taxes, invoices, etc. to ensure they are paid on a timely basis.

Management's response: The District will put better systems in place to ensure that all taxes, invoices, etc. are paid on a timely basis.

SILVER GROVE INDEPENDENT SCHOOLS
MANAGEMENT LETTER POINTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Prior Year Recommendations:

I reviewed all recommendations made to the Board on the management letter that accompanied the previous audit report. All recommendations have been implemented and corrected. I sincerely commend the District on their efforts.

STATEMENT OF CERTIFICATION

Kentucky Committee for School District Audits
Frankfort, Kentucky

The Silver Grove Independent Schools certifies that all adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, November 15, 2017

 Superintendent